

EARNINGS - PAGE 5

GENERAL

Comments should clearly support the component rating assigned earnings, as well as any Examination Conclusions and Comments (ECC) page comments relating to earnings. The page heading lists various factors which should be considered in determining the component rating. While these factors may be used as a guide, comments should not necessarily address each factor. Conversely, listed factors are not all-inclusive, and all other relevant issues should be considered. Material conclusions and comments pertaining to earnings should be detailed here and summarized on the ECC page. Supplemental earnings pages should be included as needed to support core page comments. To determine the component rating, consider the various factors listed in the headings of the ECC pages. However, comments need not address each factor. Conversely, listed factors are not all-inclusive; therefore, consider all other relevant issues. Detail here and summarize on the ECC page material conclusions and comments pertaining to earnings. Include supplemental earnings pages as needed to support core page comments.

Refer to the Earnings Section of the Manual for additional information. Refer to the instructions for the Analysis of Earnings page for details regarding preparation of the income statement and ratios.

COMPONENT RATIOS AND TRENDS

The Net Income and Net Operating Income ratios are part of the Uniform Common Core Report of Examination and may not be altered. *Note: In most cases, these ratios will be identical.* Add any additional ratios desired to the Other Component Ratios and Trends Section of the Analysis of Earnings page.

Note: The Net Operating Income (After-Tax) to Average Assets ratio is commonly referred to as a Return on Assets (ROA) ratio.

COMMENTS

Comment Subheadings - Generally, separate the earnings analysis comment from the ALLL analysis comment by using appropriate subheadings. In some cases, it may be more effective to include the ALLL analysis within the earnings comment. Use additional subheadings as appropriate.

Budget Analysis - If meaningful, discuss comparisons of actual earnings performance to budgeted figures and financial analysis of earnings projections here. However, comments on policy and administrative aspects of the budget and budgeting process are more appropriately addressed on the Administration, Supervision, and Control page (Item #4).

ALLL Analysis - Discuss financial analysis of the ALLL and its adequacy/inadequacy here. The analysis of the institution's methodology in determining ALLL adequacy is more appropriately discussed on the Administration, Supervision, and Control page (Item #2).

Tax-Loss Carrybacks/Carryforwards - If applicable, analyze the institution's tax-loss carryback/carryforward position here. An operating loss that occurs in a year following periods when the institution had taxable income may be carried back to recover income taxes previously paid. An operating loss that occurs in a year when carrybacks are not available (for example, because exhaustion of eligible carrybacks or because following periods of losses) may be carried forward to future profitable periods. Enter the dollar amount of carryforwards (that is, amounts available to offset future taxable income) on line 53 of the SAER.

ANALYSIS OF EARNINGS - PAGE 5

SELECTION OF FINANCIAL DATA PERIODS

Use dates consistently in the Comparative Statement of Income, Reconciliation of Allowance for Loan and Lease Losses, and Other Component Ratios and Trends sections. Likewise, the dates used on the core Earnings page and the supplemental earnings page (Comparative Statements of Income and Changes in Equity Capital Accounts) should be consistent with those presented here.

Three financial data columns are available, allowing for two calendar years and one interim period (or three calendar years for examinations commencing shortly after the end of a calendar year). The interim period should correspond with the "Examination as of Date."

COMPARATIVE STATEMENT OF INCOME

Complete this schedule according to Call Report Instructions. Listed headings correspond to those in the Report of Income, the supplemental Comparative Statements of Income and Changes in Equity Capital Accounts page, and the UBPR (except that the UBPR is completed on a tax-equivalent basis).

Total Non-Interest Expense - Total non-interest expense is commonly referred to as overhead expense.

Provision for Allocated Transfer Risk - For details, refer to the International Section of the Instructions for Preparation of the Report of Examination.

Applicable Income Taxes - Worksheets for calculating Call Report Applicable Income Taxes are included in each quarterly Call Report mailing to institutions and examiners. This worksheet can assist in verifying the accuracy of income tax accruals.

Extraordinary Credits (Charges) - Items which qualify for inclusion in this category are rare; refer to Call Report Instructions for details.

Other Increases/Decreases - This title does not correspond to a specific Call Report category but encompasses all categories in the Changes in Equity Capital Section (RI-A) that are not otherwise detailed.

RECONCILEMENT OF ALLOWANCE FOR LOAN AND LEASE LOSSES (ALLL)

Negative Provisions to the ALLL - Negative provisions may be appropriate if clearly supported and applicable accounting guidelines are followed.

Other Increases (Decreases) - Other Increases (Decreases) in the ALLL are rarely encountered; refer to Call Report Instructions for details.

ANALYSIS OF EARNINGS - PAGE 5 (continued)

OTHER COMPONENT RATIOS AND TRENDS

Including additional ratios is encouraged when these ratios are informative and support core Earnings page comments.

Note: The Net Income to Average Total Equity Ratio is commonly referred to as the Return on Equity (ROE) ratio.

Noncurrent Loan and Leases to ALLL Ratio - Note the difference in definitions of noncurrent loans and leases and past-due loans and leases. Refer to the User's Guide for the Uniform Bank Performance Report and Call Report Instructions for these definitions.